

State of South Carolina
Before the
South Carolina Public Service Commission

RE: Application of Avondale Mills, Inc.)
For Approval of a New Schedule of Rates)
and Charges for Water and Sewerage) **Docket No. 2008-460-WS**
Services Provided to Customers)

Direct Testimony

Of

G. Stephen Felker, Jr.

On Behalf of

Avondale Mills, Inc.

March 19, 2009

1 **Q. Please state your name and business address.**

2 A. G. Stephen Felker, Jr. My business address is 506 South Broad Street, Monroe, Georgia
3 30655.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by Avondale Mills, Inc. ("Avondale") as Vice-President of Corporate
6 Development.

7 **Q. What are your duties and responsibilities as Vice-President of Avondale Mills, Inc.?**

8 A. I am responsible for certain of the day to day operations for Avondale including legal and
9 environmental matters, the marketing and sale of certain of Avondale's real estate assets
10 and the operations of Avondale's water and wastewater utility services in Graniteville,
11 South Carolina.

12 **Q. Please tell the Public Service Commission about your background.**

13 A. I earned my Bachelor of Arts degree from Vanderbilt University in 2001. I am the fifth
14 generation in my family to work for Avondale and have been employed by the company
15 for the past twelve years. I currently reside in Monroe, Georgia with my wife.

16 **Q. What is the purpose of your testimony in this proceeding?**

17 A. The purpose of my testimony is to describe Avondale's water and wastewater treatment
18 systems in support of its application for an adjustment of its existing water and sewer
19 rates and the establishment of rates for certain other wastewater and sewer services.

20 **Q. Please describe Avondale Mills.**

21 A. Avondale was founded in approximately 1895 as a textile manufacturer which, at the
22 height its business, was a highly diversified producer of products such as denim and piece
23 dyed fabrics for clothing lines, yarn for the knitting industry, and specialized industrial

1 and high tech fabrics used in applications such as bridges, automobiles and surgical
2 settings. In 1996, Avondale bought the assets of the Graniteville Company, a textile
3 manufacturer which had operated continuously in Graniteville, South Carolina since
4 1845. With its acquisition of the Graniteville Company, Avondale operated textile plants
5 in three states including South Carolina. In July 2006, Avondale permanently ceased
6 operating its manufacturing facilities in Graniteville after a tragic railroad train
7 derailment and subsequent chlorine spill in January 2005 that killed six Avondale
8 associates and injured hundreds. In addition, many of Avondale's facilities were
9 contaminated along with other homes and buildings in the area. Avondale was unable to
10 recover from the train derailment and has ceased all manufacturing operations. Avondale
11 is liquidating all of its assets, including those in the Graniteville-Vaughts communities.
12 In fact, having sold all but one of its industrial properties in the area, Avondale now owns
13 very few assets in Graniteville other than its water and wastewater systems.

14 **Q. Please describe the water and wastewater systems.**

15 A. The water and wastewater systems were constructed and operated by Graniteville Mills
16 and provided water and wastewater services for its textile manufacturing plants as well as
17 for certain residential and commercial customers in the Graniteville-Vaughts area. In
18 1996, Avondale acquired the water and wastewater systems as a part of its purchase of
19 the assets of the Graniteville Company. Avondale purchases its potable drinking water
20 from the Breezy Hill Water District and the Valley Public Service Authority. Avondale
21 provides collection only wastewater service and transports all wastewater through its
22 trunk lines to the Aiken County Public Service Authority water and wastewater treatment
23 plant. In addition to Mr. Altherr and me, Avondale's sewer and water system employs an

1 operations manager and a bookkeeper/billing manager in Graniteville, South Carolina.
2 Avondale contracts for the services of a certified operator as well as for plumbing and
3 construction contractors.

4 **Q. Please describe Avondale's customer base.**

5 A. The majority of Avondale's water and wastewater customers are residential and
6 commercial; however, there is some industry operating within the service area. Avondale
7 currently has 511 residential customers, 28 commercial customers, 3 industrial, one
8 multi-family customer and 73 irrigation customers.

9 **Q. What are Avondale's current water and wastewater rates?**

10 A. Avondale is still charging the rates approved by the Public Service Commission and
11 charged by Graniteville Company when Avondale purchased the system in 1996.
12 Currently, Avondale's typical residential water and wastewater customer pays \$9.23 per
13 month. These rates have been in effect since the Commission's last order in 1980 in
14 Order Number 1980-52 in Docket No. 1979-423 W/S.

15 **Q. Why is Avondale seeking a rate increase at this time?**

16 A. The water and wastewater systems serve a different market from that of 1980. The large
17 textile operations are closed. Historically, the Graniteville Company and Avondale
18 subsidized their residential and commercial customers by the revenues generated from
19 their industrial sales. With loss of manufacturing in the Graniteville-Vaughn area, the
20 need has arisen for more realistic rates for the residential and commercial customer. The
21 water and wastewater systems were designed with the capacity to serve a number of
22 textile manufacturing plants which consume large amounts of water. With the loss of the
23 textile manufacturing customers, the system now works at less than the full capacity for

1 which it was designed.

2 **Q. Do you feel as though the rates requested are fair and reasonable?**

3 A. Yes. As I have stated, since its acquisition of the water and wastewater systems in
4 September of 1996, Avondale has been operating under water and sewer rates which
5 were approved in 1980. Avondale has closed its wells and surface water treatment
6 systems and purchases water in bulk from the Breezy Hill Water & Sewer Authority and
7 Valley Public Service Authority. In addition, Avondale has closed its wastewater
8 treatment facilities and transports the sewage to the Aiken County Public Service
9 Authority for treatment. The cost of closing our own treatment facilities when combined
10 with the increasing rates charged by the Breezy Hill Water & Sewer Authority, Valley
11 Public Service Authority and the Aiken County Public Service Authority have increased
12 Avondale's treatment costs. For these reasons, the cost of providing service to our
13 customers today has increased dramatically from the 1980 cost levels which serve as the
14 basis of our current rates. We regret that circumstances compel us to request a rate
15 increase at this time. However, if Avondale is to continue to provide reliable water and
16 wastewater services to its customers, it will require a more realistic rate schedule so as to
17 provide it an adequate economic footing to do so.

18 **Q. Does this conclude your testimony?**

19 A. Yes, but before I conclude, I would thank the Public Service Commission for giving us
20 the opportunity to appear today and present our case.